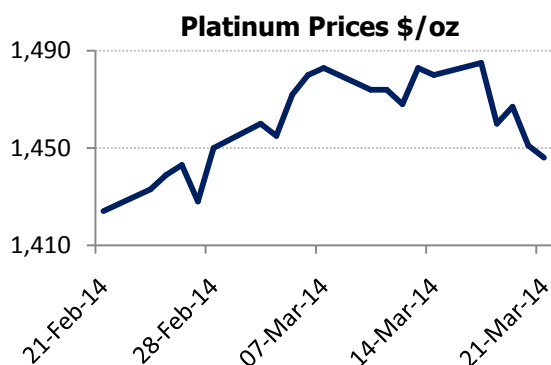
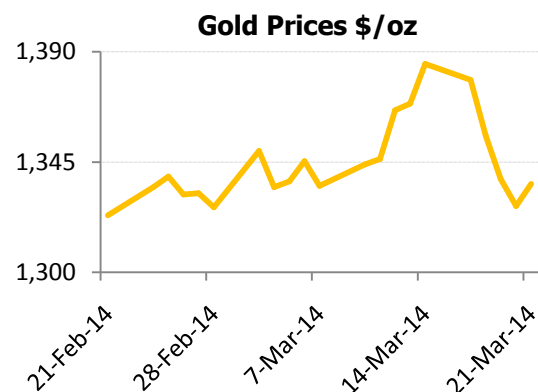


WEEKLY ECONOMIC REVIEW

Commodity 30-Day Price Chart



Commodity Prices

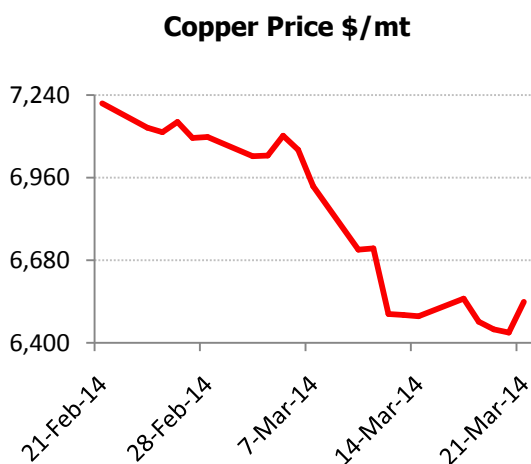
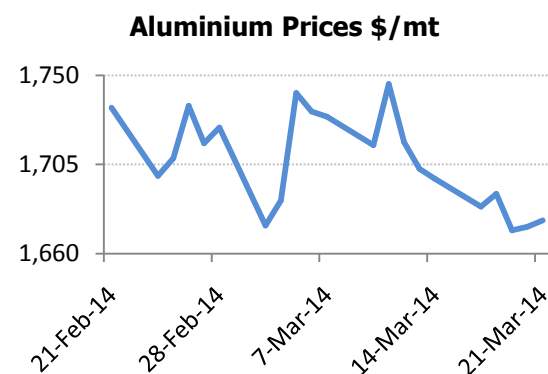
Daily	US\$/oz	WoW %Δ
14-Mar-14	1,385	
17-Mar-14	1,379	
18-Mar-14	1,356	
19-Mar-14	1,338	
20-Mar-14	1,327	
21-Mar-14	1,336	
		-3.54

Daily	US\$/oz	WoW %Δ
14-Mar-14	1,480	
17-Mar-14	1,485	
18-Mar-14	1,460	
19-Mar-14	1,467	
20-Mar-14	1,451	
21-Mar-14	1,446	
		-2.30

Commodity Developments

- Gold opened the past week high on the back of Ukraine tensions and Chinese economic growth concerns but as focus shifted to US economic data, the yellow metal fell.
- On the 20th of Mar, US Fed Chair, Janet Yellen's sentiments that the Fed Reserve will probably end its Quantitative Easing (QE) this year and could start raising interest rates 6 months later ended the Gold rally.
- Since then, the yellow metal came under pressure after Moscow signed laws completing its annexation of Crimea but said has no plans to seize other parts of Ukraine, to record a 3.5% weekly loss.
- Platinum just like Gold was hit by US positive economic data and the de-escalation of the Ukraine crisis to record a 2.3% weekly loss. Report by World number one producer Anglo American Platinum that it had signed a wage agreement with workers union put downward pressure on platinum.
- However, its sister metal, Palladium, was up 4.5% benefiting from the launch of two palladium-backed exchange-traded funds in SA.
- Zimbabwe which has the World's largest platinum reserves after SA on the 20th of Mar, said that it is considering a proposal for the construction of a platinum refinery from the world number two producer of the precious metal Impala Platinum (Zimplats) in its drive for local mineral beneficiation.

Commodity 30-Day Price Chart



Commodity Prices

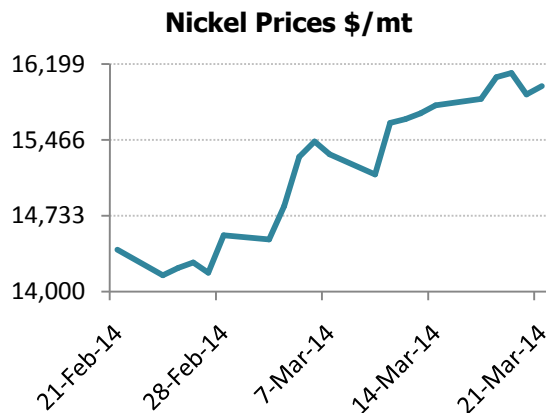
Daily	US\$/t	WoW %Δ
14-Mar-14	1,698	
17-Mar-14	1,684	
18-Mar-14	1,690	
19-Mar-14	1,672	
20-Mar-14	1,674	
21-Mar-14	1,677	
		-1.24

Daily	US\$/t	WoW %Δ
14-Mar-14	6,490	
17-Mar-14	6,550	
18-Mar-14	6,471	
19-Mar-14	6,446	
20-Mar-14	6,434	
21-Mar-14	6,539	
		0.76

Commodity Developments

- Aluminium prices further shed off 1.2% on concerns of Chinese economic growth and as investors digested possible impact of Western and Japanese sanctions on Russia over Crimea.
- Base metals were also hit by news that the US may start hiking interest rates sooner than anticipated.
- A hike in interest rates may weaken demand for base metals as investors seek higher returns.
- China the World's largest metals consumer is facing growth concerns weighing down base metal prices.
- Copper which has been long considered the bellwether of the economy suffered the biggest decline (-11.6%) among the industrial metals since Dec-13.
- Weakening copper prices have grossly affected copper producers like Zambia threatening the commodity production viability.
- In a press statement, Zambia's mines minister said that copper mining will not be viable if prices fell below \$5,000/t.
- In the medium term, low copper prices will make it unattractive to commission mining projects which will tighten supplies resulting in a marginal increase in prices
- Demand for copper is still questionable as China sees its exports and inflation contracting faster than expected.

Commodity 30-Day Price Chart

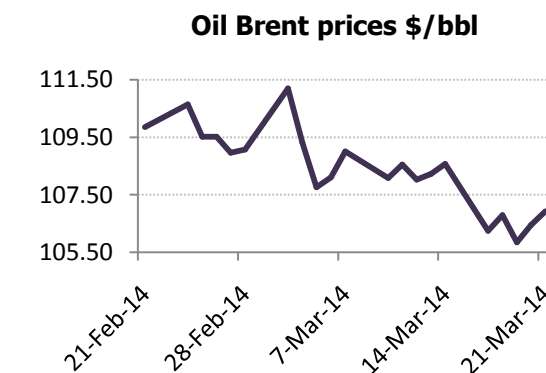


Commodity Prices

Daily	US\$/t	WoW %Δ
14-Mar-14	15,803	
17-Mar-14	15,863	
18-Mar-14	16,073	
19-Mar-14	16,113	
20-Mar-14	15,908	
21-Mar-14	15,988	
		1.17

Commodity Developments

- Nickel, the best performing base metal this year notched another weekly gain of 1.2%.
- Year-to-date (YTD), the metal has surged 14.5% and breached the \$16,000/t mark on the 18th of Mar-14, for the first time since Apr-13.
- The metal used in alloying has benefited on Indonesia's ban on ore exports which tightened global supply as stockpiles run out accompanied by increased demand from alloy makers.
- SSA economies who are nickel producers will benefit from these high prices.

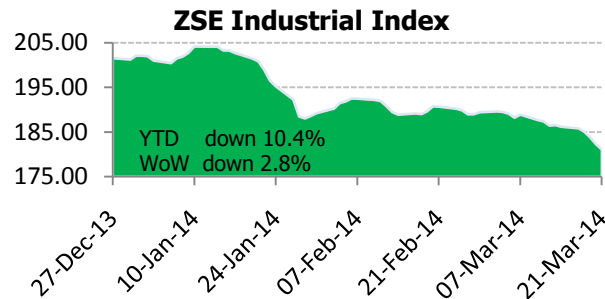


Daily	US\$/bbl	WoW %Δ
14-Mar-14	108.57	
17-Mar-14	106.24	
18-Mar-14	106.79	
19-Mar-14	105.85	
20-Mar-14	106.45	
21-Mar-14	106.92	
		-1.52

- Brent prices went down by US\$1.65/bbl to close the week at \$106.92/bbl weighed down by a seasonal demand slump and weaker data out of China.
- End of severe winter weather in the Northern Hemisphere has weighed down oil prices.
- However, there is continued concern over Libyan supplies as rebels occupied port and oilfields disrupting supply to less than 250,000bbl/day
- A pipeline problem further hit production to less than 70,000bbl/day at the south-westerly el-Feel oilfields.
- These supply disruptions impose an upward pressure on oil prices affecting SSA economies who are net oil importers.

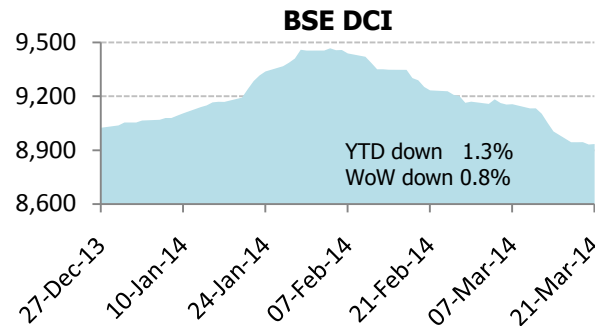
Equities 90-Day Index Charts

Zimbabwe



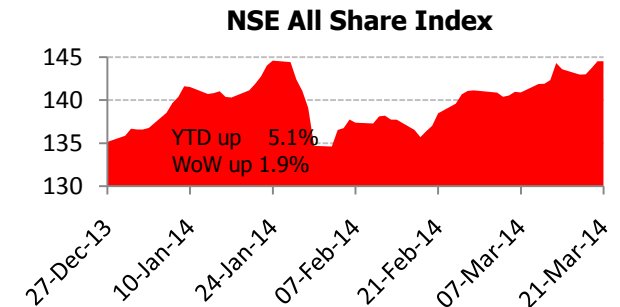
- Zim. stocks slid as liquidity crunch coupled with low incomes heightened the economic plight.
- The economy obtained a US\$100m loan guarantee from Afreximbank for inter-bank market to ease the liquidity concerns.

Botswana



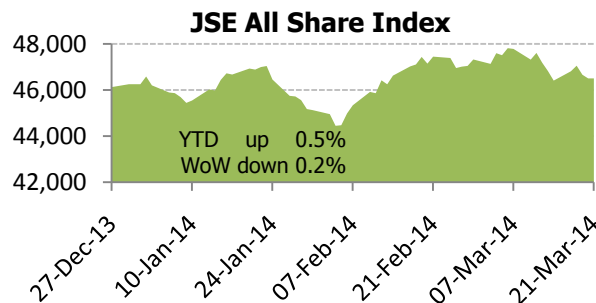
- The index continues to fall since end of Jan.

Kenya



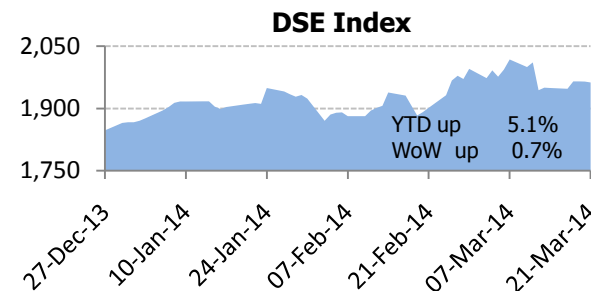
- Activity increased over the past week.

South Africa



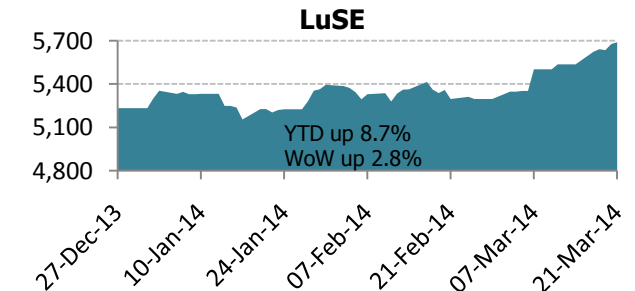
- S.A. stocks went down as investors digested Fed Reserve decision to hike interest rates sooner than expected.

Tanzania



- The index went up after past week losses.

Zambia



- LuSE recorded the highest year-to-date gains.

Foreign Exchange Markets

	USD/BWP	USD/MZN	USD/TZS	USD/ZMW	USD/ZAR	EUR/USD	GBP/USD
Wk Ending							
14-Mar-14	8.857	30.52	1,624	6.026	10.777	1.387	1.661
Daily							
17-Mar-14	8.818	30.49	1,624	6.089	10.695	1.389	1.664
18-Mar-14	8.850	30.45	1,626	6.207	10.772	1.391	1.660
19-Mar-14	8.842	30.42	1,629	6.391	10.695	1.392	1.662
20-Mar-14	8.905	30.44	1,629	6.372	10.873	1.382	1.656
21-Mar-14	8.929	30.44	1,630	6.290	10.873	1.382	1.656
WoW %Δ	0.80	-0.26	0.37	4.39	0.89	-0.36	-0.34
YTD %Δ	2.41	2.04	4.09	14.11	3.87	0.33	0.21

	ZAR/BWP	ZAR/MZN	ZAR/ZMW	ZAR/TZS
Wk Ending				
7-Mar-14	0.827	2.89	0.559	152
Daily				
10-Mar-14	0.827	2.85	0.559	153
11-Mar-14	0.822	2.83	0.552	151
12-Mar-14	0.823	2.81	0.547	151
13-Mar-14	0.819	2.84	0.558	150
14-Mar-14	0.821	2.85	0.560	152
WoW %Δ	-0.76	-1.38	0.14	0.00
YTD %Δ	-1.98	-3.14	10.80	0.10

Exchange Rate Developments

- The US\$ appreciated against major currencies over the past week as the Fed Reserve winds down its QE and will start hiking interest rates sooner-than-expected.
- US phasing out of its QE program has affected emerging markets currencies due to capital flight as investors seek lower risk markets.
- Of all the currencies, the ZMW is the worst performer after the Ukraine's Hryvinia, having weakened by 14.1% YTD against the US\$.
- Among BancABC markets currencies, the MZN outperformed other currencies to register a mere 2% loss year-to-date against the dollar whilst the ZAR shed off 3.9%.
- Until recently, MZN was the most stable currency among BancABC markets due to Central Bank's intervention in the FX market. Mozambique, however, is a desired investment destination, as investors flock into massive coal, natural gas and oil sectors.
- The MZN and BWP appreciated on both week-on-week and YTD basis against the ZAR due to their strong economic fundamentals.
- The TZS remained stable whilst the ZMW extended its losses against the ZAR losing 10.8% YTD. ZMW weakened in sympathy to falling copper prices among other factors.
- *See below appendix for the Kwacha analysis.*

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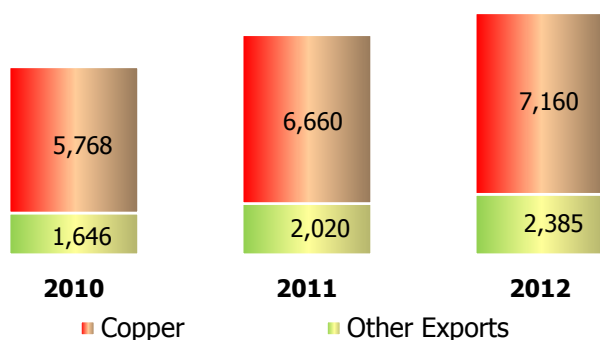
Contact telephone numbers: 369701-16; 752383-5

Appendix

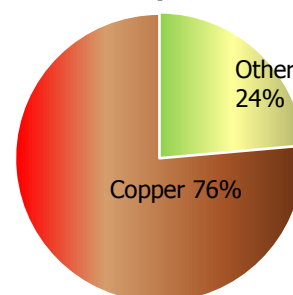
The Kwacha Woes

The Zambian economy is among the fastest growing economies in the world and among the top ten fastest in Sub-Saharan Africa (SSA). The copper rich SSA country growth has been driven by agriculture, construction communication and its copper mining. Zambia is Africa's largest copper producer accounting for nearly 50% of the continent's production. Over the period Jan-Nov 2013, Zambia's copper production amounted to 915,773 tonnes compared to 755,359 tonnes same period prior year. The SSA country has relied much on its copper as a source of foreign revenue.

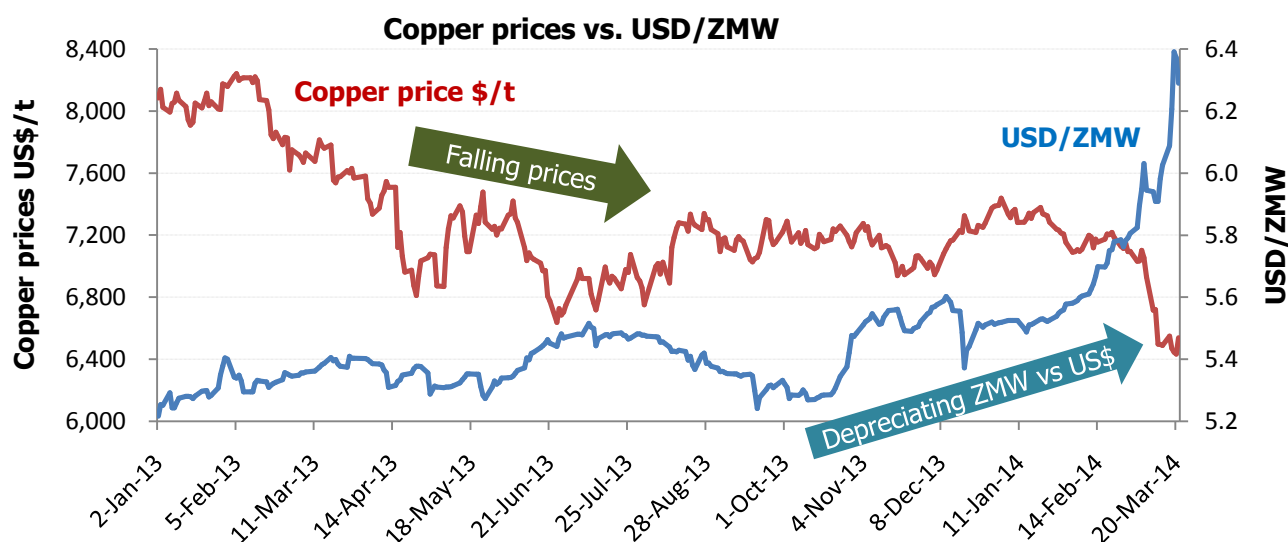
Zambia Exports (US\$ m)



Share of Exports 2010-12



- The Zambian Kwacha (ZMW) which YTD has lost 14.1% and 10.8% against the USD and the ZAR, respectively, has become the World's worst performing currency after the Ukraine's Hryvnia.
- Weaknesses in the ZMW are largely attributed to weaknesses in copper prices among other fundamentals.
- Copper which accounts for more than 70% of Zambia's exports has been hard hit by concern that growth is slowing down in China, retreating 11.6% YTD in prices.



- Zambia's ZMW exchange rate is free floating determined by factors that affect the demand and supply for foreign currency. In the supply side, rapid decline in copper prices have tightened the supply of foreign currency whilst demand sort to have grown as evidenced by a 2013 Balance of Payment (BoP) deficit of US\$344.9m compared to 2012 surplus of US\$726.7m.
- In addition, tightening of money supply by the Fed Reserve through the tapering of its QE has heightened risks in emerging markets, causing their currencies to tumble.
- Sharp depreciation of the ZMW poses high risks to inflation, erodes confidence in the local currency and also pushes up debt denominated in foreign currency - usually all external debt as small economies do not have capacity to borrow externally in their own currencies.

- In order to restore confidence in the economy, the Finance Minister on the 21st of Mar gave a press conference on the state of the economy where he highlighted below issues.

Main Issue	Comment
Economic Growth <ul style="list-style-type: none"> • 23% growth in Non-Traditional Exports with a share of 32% of total exports in 2013 • Need for investments in Infrastructure, Education and Health 	<ul style="list-style-type: none"> • Economic diversification away from copper is very critical for stability and broad based economic growth as it provides an immune to external shocks. • Over-reliance on one commodity has seen the economy exposed to external shocks such as Chinese economy growth concerns. • These are enablers for sustainable growth as they support private sector initiatives and lower the cost of doing business.
Fiscal Sector <ul style="list-style-type: none"> • 2013 budget deficit increased to 6.7% of GDP from targeted 4.3% • Intending to reduce fiscal deficit to 3% of GDP as outlined in the Medium Term Expenditure Framework • To reduce current wage bill of 60% of Domestic revenues to 35% of Domestic Revenues • Manage debt to remain below 40% of GDP and 25% GDP for external and domestic debt, respectively, as per international standards 	<ul style="list-style-type: none"> • Payment towards fuel arrears, maize subsidies and the unbudgeted for wage increase pressured the fiscal space. • However, all these are consumptive expenditures and if not properly managed may lead to debt overhang • This will only be attained through a strong cut in Gvt expenditures or a big push in economic growth. A cut in expenditure is highly unlikely due to current populist tendencies by the Gvt rendering the objective unlikely to be met. • Ideally, this will free up resources for investment projects. • Poor debt management has put some African economies in dire state. • The Gvt should have a strong watch on its debt and should use this source of funding for good developmental projects.
Financial Sector <ul style="list-style-type: none"> • The financial sector is strong and expanding finances to SMEs • Reduce inflation to below 5% by end of 2016 	<ul style="list-style-type: none"> • Stable financial sector is key to any economic stability and growth. • SMEs have become engine for economic growth and employment creation.
External Sector <ul style="list-style-type: none"> • BoP deficit in 2013 of US\$344.9m compared to, 2012 surplus of US\$726.7m 	<ul style="list-style-type: none"> • According to CSO data the economy enjoyed a Trade Balance surplus in 2013. • A BoP deficit could be due to huge capital expenditure in the mining and construction sectors.
Exchange Rate <ul style="list-style-type: none"> • Weakening of the Kwacha temporary and Gvt will not intervene • Revoked statutory instruments (SI) 55:2013 and 33:2012 that required domestic transactions to be quoted and paid for in Kwacha 	<ul style="list-style-type: none"> • This is a welcome move by the Gvt. Defending the ZMW would drain away the reserves which stood at US\$2.7bn in Nov-13. • However, the Gvt seem not to have enough reserves to defend the ZMW given the huge 2013 budget overrun and BoP deficit. • Freeing up the market will ease some pressure on the local currency. This improves the level of confidence in the economy. • However, it is likely to increase the level of dollarization in the economy.
Funding of Projects <ul style="list-style-type: none"> • Contractor Financing • Public Private Partnerships • Tolling of Economic Roads 	<ul style="list-style-type: none"> • The Gvt does not have sufficient fiscal space for all investment projects. • Looking for other sources is a welcome initiative to ease budgetary pressures • The Gvt should use the Kariba North Bank and Itzhi-Tezhi Power Stations projects as examples of successful private financing.